

**senior**  
Aerospace



# senior

Annual General Meeting  
24 April 2009



**senior**  
Flexonics

**senior**

AGM 2009

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# SUMMARY

|                      | 2008           | 2007    |              |
|----------------------|----------------|---------|--------------|
| Revenue              | <b>£562.4m</b> | £470.7m | <b>+19%</b>  |
| Operating Profit     | <b>£59.8m</b>  | £41.5m  | <b>+44%</b>  |
| Adj Operating Profit | <b>£64.5m</b>  | £45.0m  | <b>+43%</b>  |
| Adj Operating Margin | <b>11.5%</b>   | 9.6%    | -            |
| Adj PBT              | <b>£56.0m</b>  | £37.8m  | <b>+48%</b>  |
| Adj EPS              | <b>10.63p</b>  | 7.71p   | <b>+38%</b>  |
| Total Dividend       | <b>2.60p</b>   | 2.40p   | <b>+8%</b>   |
| Dividend Cover       | <b>4.1x</b>    | 3.2x    | -            |
| Free Cash Flow       | <b>£52.4m</b>  | £18.5m  | <b>+183%</b> |
| Net Borrowings       | <b>£174.5m</b> | £94.8m  | -            |

- ⇒ Aerospace - OP up 33%
  - Aircraft build rates up
  - Boeing 2 month strike
  - Capo acquisition
- ⇒ Flexonics - OP up 49%
  - Strong industrial markets
  - Improved heavy duty diesel
  - Very weak land vehicle in Q4
- ⇒ Group margins up to 11.5%
- ⇒ Headcount - down 980 (16%) in Q4 / Q1
  - cost £2.7m / 09 saving £19m
- ⇒ Net debt - adverse currency & Capo acq
- ⇒ Cash flow - highly cash generative
- ⇒ Financing - refinanced for long term
- ⇒ Dividend - up 8% & covered 4.1x

## DIVISION RESULTS – constant exchange rates <sup>(2)</sup>

| £m                    | Turnover     |              |               | Adj Operating Profit <sup>(1)</sup> |             |               | Margin on Sales |             |
|-----------------------|--------------|--------------|---------------|-------------------------------------|-------------|---------------|-----------------|-------------|
|                       | 2008         | 2007         | Change        | 2008                                | 2007        | Change        | 2008            | 2007        |
| Aerospace             | 312.9        | 265.8        | +17.7%        | 44.3                                | 35.8        | +23.7%        | 14.1%           | 13.5%       |
| Flexonics             | 250.1        | 245.0        | +2.1%         | 25.9                                | 18.6        | +39.2%        | 10.4%           | 7.6%        |
| Inter-Segment sales   | (0.6)        | (0.5)        | -             | -                                   | -           | -             | -               | -           |
| Central costs         | -            | -            | -             | (5.7)                               | (5.9)       | -             | -               | -           |
| <b>Continuing Ops</b> | <b>562.4</b> | <b>510.3</b> | <b>+10.2%</b> | <b>64.5</b>                         | <b>48.5</b> | <b>+33.0%</b> | <b>11.5%</b>    | <b>9.5%</b> |
| Exchange effect       | -            | (39.6)       | -             | -                                   | (3.5)       | -             | -               | -           |
| <b>As reported</b>    | <b>562.4</b> | <b>470.7</b> | <b>+19.5%</b> | <b>64.5</b>                         | <b>45.0</b> | <b>+43.3%</b> | <b>11.5%</b>    | <b>9.6%</b> |

(1) Before loss on disposal of fixed assets of £nil (2007: £0.7m), amortisation of intangible assets arising on acquisitions of £4.7m (2007: £3.3m) and the release of a provision set up on a previous acquisition of £nil (2007: £0.5m).

(2) All at 2008 exchange rates – translation effect only.

# FREE CASH FLOW and CHANGE IN NET DEBT

|                                       | 2008<br>£m     | 2007<br>£m    |
|---------------------------------------|----------------|---------------|
| <b>Operating profit</b>               | <b>59.8</b>    | <b>41.5</b>   |
| Depreciation                          | 18.1           | 14.1          |
| Amortisation of intangible assets     | 5.3            | 3.8           |
| Pension payments above service cost   | (5.2)          | (3.0)         |
| Working capital                       | 12.2           | (10.3)        |
| Other operating items                 | 1.7            | 2.4           |
| <b>Cash generated from operations</b> | <b>91.9</b>    | <b>48.5</b>   |
| Interest paid (net)                   | (6.8)          | (6.2)         |
| Tax paid                              | (8.8)          | (6.2)         |
| Capital expenditure (net)             | (23.9)         | (17.6)        |
| <b>Free cash flow</b>                 | <b>52.4</b>    | <b>18.5</b>   |
| Dividends                             | (10.3)         | (8.1)         |
| Acquisitions                          | (43.7)         | (8.2)         |
| Other cash inflows                    | 1.4            | 0.3           |
| <b>Net cash (outflow) / inflow</b>    | <b>(0.2)</b>   | <b>2.5</b>    |
| Exchange variations <sup>(1)</sup>    | (79.5)         | (0.8)         |
| Net debt - opening                    | (94.8)         | (96.7)        |
| - non cash movements                  | -              | 0.2           |
| <b>Net debt - closing</b>             | <b>(174.5)</b> | <b>(94.8)</b> |

(1) Exchange variations arose from: retranslating foreign currency debt at year end rates (£34.8m) and forward exchange contract movements (£44.7m). These contract were non-speculative and were required to ensure that a previous consolidated net worth covenant was met.

# CREDIT FACILITIES and COVENANTS (at Dec 2008)

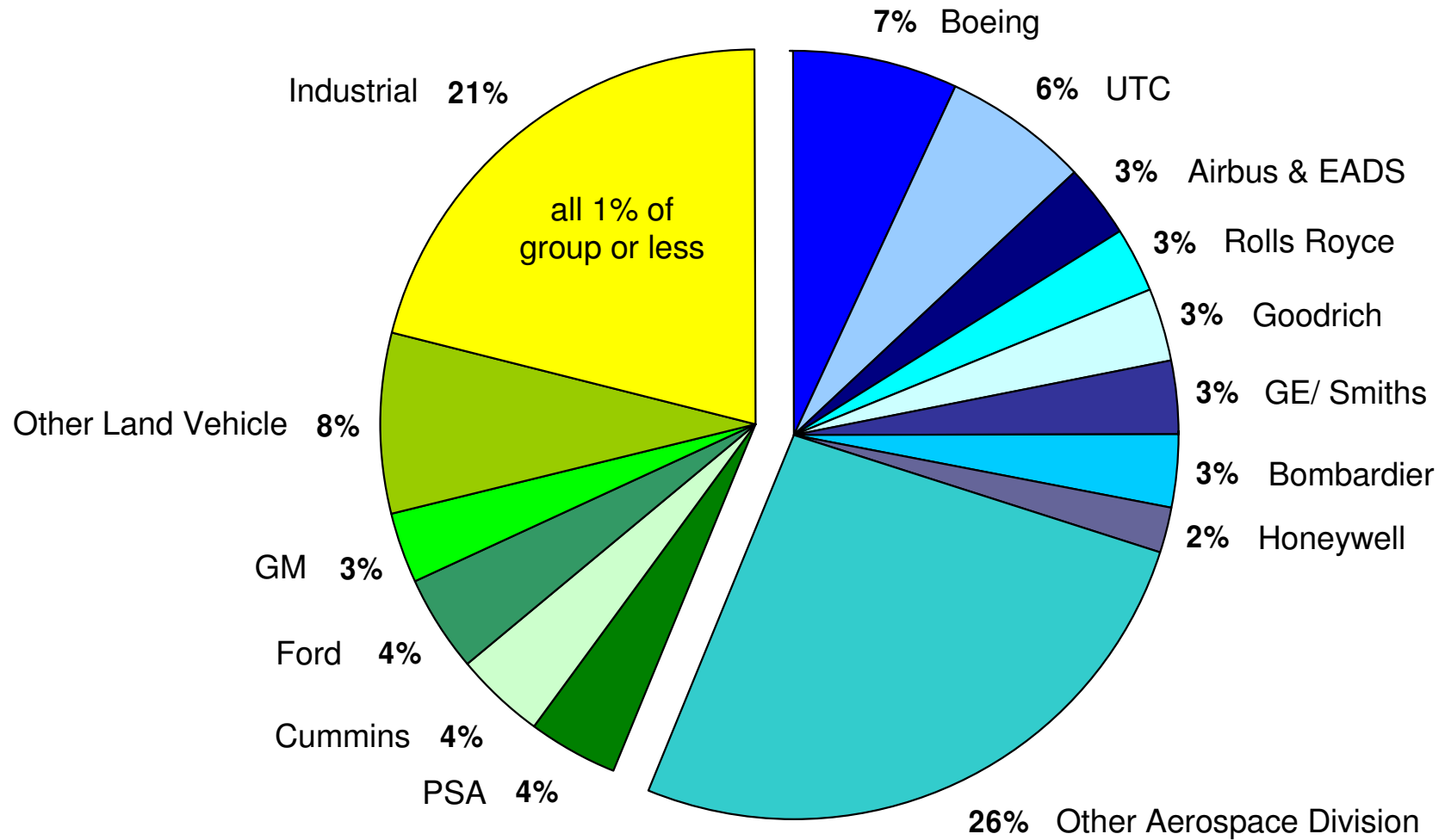
|   | Repayment<br>Due | Facility<br>£m             | Usage<br>£m  |
|---|------------------|----------------------------|--------------|
| <b><u>Private placements:</u></b>                 |                  |                            |              |
| US \$ 20.0m                                       | (Oct 2020)       | 13.9                       | 13.9         |
| US \$ 75.0m                                       | (Oct 2018)       | 52.1                       | 52.1         |
| US \$ 30.0m                                       | (Jan 2017)       | 20.8                       | 20.8         |
| US \$ 25.0m                                       | (Oct 2015)       | 17.4                       | 17.4         |
| US \$ 35.0m                                       | (Oct 2014)       | 24.3                       | 24.3         |
|   |                  | <b>128.5</b>               | <b>128.5</b> |
| <b><u>Bank facilities:</u></b>                    |                  |                            |              |
| £80m - Revolving credit facility                  | (July 2012)      | 80.0                       | 20.2         |
| \$23m - Bank of America                           | (Aug 2011)       | 16.0                       | -            |
| <b>Total committed facilities</b>                 |                  | <b>224.5</b>               | <b>148.7</b> |
| Other uncommitted facilities                      |                  | 19.2                       | 3.8          |
| <b>Gross debt</b>                                 |                  | <b>243.7</b>               | <b>152.5</b> |
| Cash  |                  | -                          | (11.9)       |
| Unrealised loss on forward contacts               |                  | -                          | 33.9         |
| <b>Net debt</b>                                   |                  | <b>243.7</b>               | <b>174.5</b> |
| <b>Interest cover (to exceed 3.5 times)</b>       |                  | <b>12.0 x</b>              | <b>9.3 x</b> |
| <b>Net Debt to EBITDA (not to exceed 3 times)</b> |                  | <b>2.1 x<sup>(1)</sup></b> | <b>1.6 x</b> |

(1) Translating Net Debt at 2008 average exchange rates, Net Debt to EBITDA ratio for 2008 is 1.4x  
Headroom of £50m on committed facilities (including unrealised losses on forward exchange contracts)

# SENIOR'S CUSTOMERS – 2008

Flexonics – 44%

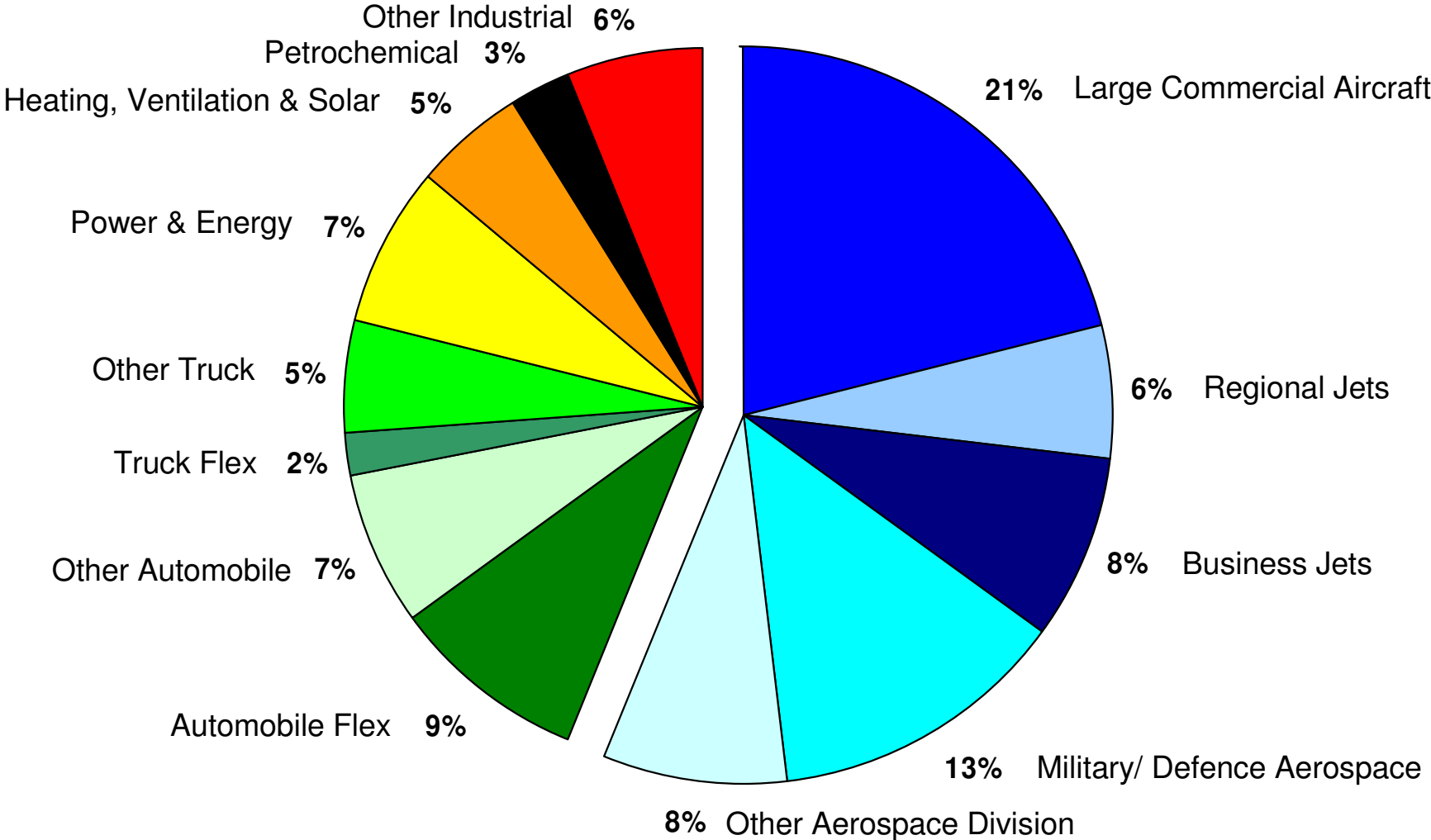
Aerospace – 56%



# SENIOR'S MARKETS – 2008

Flexonics – 44%

Aerospace – 56%



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## GROUP OUTLOOK

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- ⇒ Future – markets more challenging but have currency benefit
- ⇒ Large aircraft - 2009 OK / modest decline in 2010 / but 787 upside
- ⇒ Regional / business jets - weak. No improvement soon
- ⇒ Growing military presence - particularly in medium term when JSF starts
- ⇒ Land vehicles – stabilising but at very low level / Europe slightly hopeful
- ⇒ Industrial markets - solid for 2009. Hargreaves £16m contract for 2010/11
- ⇒ Actions taken - 980 headcount reduction (17%) = £19m saving in 2009
  - mainly US operations - quick / low cost action if required
- ⇒ Benefiting from weaker competitors / own good operational performance
- ⇒ Healthy financial base – refinanced / cash generative / invested
- ⇒ Q1 2009 performance – in line / adjusted PBT £12.8m / similar net debt
- ⇒ Significant growth when more stable economic conditions return
  - Many of Group's products are emission legislation driven